

**TERMS AND CONDITIONS OF THE  
2008 Mortgage Backed Security (MBS) Loans  
(Purchased by U.S. Bank N.A. dba U.S. Bank Home Mortgage, Mortgage, MRBP  
Division)**

August 15, 2008

More information on how to reserve a loan through the MBS program can be found in the Mortgage Purchasing and Servicing Guide, Article V.

(1) Each Mortgage Loan shall be either guaranteed by RD under Title V of the Housing Act of 1949, insured with private mortgage insurance (PMI) by Genworth Financial Mortgage Insurance Company or by another provider of private mortgage insurance approved by the Board, or approved by MBOH as a Deep Equity Loan.

(2) The Board shall determine the interest rate, currently at 6.5%, which is subject to change. There shall be no option for borrowers to obtain a lower rate by paying origination fees and points.

(3) The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.

(4) The Master Servicer will purchase mortgage loans with fees for originators in accordance with the chart below. The Participant may not charge additional points or origination fees in connection with the origination of the Mortgage Loan. For loans sold to the Master Servicer US BANK, US Bank will pay originators the total amount in column D, and will label the payment as a servicing release fee.

PMI and Deep Equity Loans also require the borrower to pay additional fees at closing as stipulated by Fannie Mae, currently .50% for the Adverse Marketing fee and .5625 for the Loan Level Price Adjustment which together make 1.0625% of additional fees that must be collected from the borrower at closing. These rates are subject to change.

Income to Originators for Rural Development guarantee, private mortgage insurance, and Deep Equity Loans

Column A	Column B	Column C	Column D	Column E
Loan Type	Origination fee and points paid to Lender by MBOH or Master Servicer	Servicing Release fee paid to Lender when servicing is sold to Master Servicer	Total upfront fees paid to Originating lender	Ongoing servicing fee paid to Originating Lender
RD guarantee loans for which originating lender retains servicing, sells the loan to MBOH as Whole Loan	1%	NA – originating lender must retain servicing	1%	.25
Rural Development, Private Mortgage Insurance or Deep Equity: sell loan & servicing to US Bank	1.5%	0.5%	2.0%	NA
Rural Development, Private Mortgage Insurance & Deep Equity: sell loan and servicing to US Bank with subservicing instate from Streeter Brothers	1.5%	0.0%	1.5%	NA

(5) All PMI loans and all Deep Equity loans, and Rural Development Loans for which the originating lender is selling the servicing, will be purchased by the US Bank as Master Servicer. All lenders have the option of having all MBS loans subserviced in-state by Streeter Brothers Mortgage Company. The chart above outlines the differences in fees for servicing, servicing release, and origination fees depending upon servicing choices. Lenders who currently service their own loans have the option of selling Rural Development guaranteed loans to the Board, rather than the Master Servicer, as outlined in the Invitation to Participate and the Application to Participate.

6) Mortgage loans must meet all Federal Eligibility Requirements and MBOH criteria as described in the Purchase and Servicing Guide and all program requirements of the securitizing agency, such as Fannie Mae. The following MBOH requirements will take precedence over Fannie Mae requirements:

- a. private mortgage insurance must be provided by a firm approved by the Board; however, coverage levels must comply with Fannie Mae.
- b. Hazard and flood insurance deductibles can each not exceed \$1,000.
- c. MBOH income limits, rather than Fannie Mae income limits, apply.
- d. MBOH approved homebuyer education will be required for all loans.
- e. Rural Development loans will require a \$500 investment of the borrower's own resources.

(7) Acquisition limits and loan amounts are subject to change. The current list is shown on Exhibit A, and are also located and updated on the MBOH website.

(8) The current list of Targeted Areas is as follows:

Blaine County  
Sanders County  
Deer Lodge County  
Silver Bow County  
Flathead County  
Daniels Co-Census Tract 9402  
Mineral County  
Sheridan Co-Census Tract 9402  
Missoula County  
City of Great Falls  
Choteau Co-Census Tract 9401  
Yellowstone Co-Census Tract 0003  
Hill County

(9) Refinancings of existing Mortgage Loans are not eligible at this time. Refinancings of construction period loans or other interim financings which have a term of 24 months or less are not considered refinancings of existing Mortgage Loans.

(10) Recapture provisions will apply and are not eligible for reimbursement.

(11) A mortgagor can be obligated on only one loan financed by Montana Board of Housing at a time.

(12) Mortgage funds available under the program will be placed into a pool for MBS Loans. Mortgage Lenders may reserve funds on a loan-by-loan, first-come, first-served basis. An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of the Fannie Mae 1003 Loan Application; (3) verification of Annual Family Income; (4) a copy of an executed Buy/Sell

Agreement; and (5) signed Recapture Notice to Mortgagor. Upon receipt of such documents or equivalent information electronically through "Lender-On-Line" over the Internet, the Board may reserve bond proceeds for **60** days on existing housing and 180 days for new construction. Such period may be extended upon payment of an additional one-fourth of one percent (0.25%) of the loan amount for each 30-day extension, which shall only be paid by the Mortgage Lender in the form of a check to MBOH submitted prior to granting of the extension.

(13) The maximum family income for all mortgagors in targeted and non-targeted areas, as the case may be, has been established by the Board as set forth in Exhibit B hereto, and located on the Board's webpage. These income limits are subject to change.

For purposes of applying the federal income requirements, the "Actual Gross Annual Income" of a mortgagor is the mortgagor's annualized gross income. Annualized gross income includes any and all income of the mortgagors and any other person who is expected to both live in the financed Residence and is 18 or more years of age. Exhibit I to the Mortgage Purchase and Servicing Guide, located on the MBOH website, is meant to help aid Mortgage Lenders in determining income.

(14) If the reservation is cancelled, a one half percent (.5%) cancellation fee may be charged to the Lender

If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a previous program of the Board to swap for a loan under a newer program, said Mortgagor will not be allowed to continue to participate in the Board's 2008 Homeownership Bond Program.

(15) Lenders must submit a compliance package, as outlined in Exhibit H in the Purchasing and Servicing Guide, to the MBOH within four business days of the closing. MBOH will review the package for compliance within ten business days of receipt of the complete compliance package. The Compliance Approval letter will be sent to the originating lender and the Master Servicer and notice of approval will be posted on Lender on Line. The loan purchase package must be sent directly to the Master Servicer in accordance with the requirements established by the Master Servicer. All MBS pool loans shall be tendered for sale to the Master Servicer US Bank within 45 days following execution of the note by the mortgagor. If the Mortgage Lender fails to deliver a complete purchase package for a Mortgage loan to the Master Servicer within 45 days after origination, the purchase price will be reduced by one-half of one percent (0.50%) of the loan amount for each 30 days the loan is not delivered. If a Mortgage Lender is unable to deliver a complete purchase package within 45

days because of delays beyond their control, the Lender may request a waiver from MBOH. Requests for waivers must be received at least 5 business days prior to the 45th day to allow review and processing.

(16) Final documents required after closing the loan are subject to a penalty fee of \$50 per document if not received within 120 days of closing.

17) Manufactured housing on a chassis that meets MBOH requirements may only be purchased using the RD guarantee program, and therefore must be new construction or previously financed by RD. Manufactured housing on a chassis is not eligible for pmi or Deep Equity loans under Fannie Mae requirements.

EXHIBIT A

Maximum Purchase Price Limits (03/11/08)

Area	Maximum Purchase Price Limits	Maximum Loan Limits	
		<u>FHA</u>	<u>VA &amp; RD</u>
Billings/Yellowstone	\$237,031	\$200,160	\$237,031
Billings - (Census Tract 3)*	289,705	200,160	237,031
Blaine*	289,705	200,160	237,031
Choteau Co-Census Tract 9401*	289,705	200,160	237,031
Daniels Co-Census Tract 9402*	289,705	200,160	237,031
City of Great Falls*	289,705	200,160	237,031
Deer Lodge County*	289,705	200,160	237,031
Flathead County*	329,863	227,905	237,031
Gallatin County	298,125	251,750	237,031
Hill County*	289,705	200,160	237,031
Mineral County*	289,705	200,160	237,031
Missoula County*	319,688	220,875	237,031
Sheridan Co-Census Tract 9402*	289,705	200,160	237,031
Sanders County*	289,705	200,160	237,031
Silver Bow County*	289,705	200,160	237,031
<u>Other Counties and Areas</u>	237,031	200,160	237,031

\*Targeted Areas

EXHIBIT B

**Maximum Income Limits As Of March 11,2008**

Note: All numbers used in the completing the Recapture Tax Notice to Compute come from the Temporary Recapture Tax column through December 31, 2008.

Area:	<u>PROGRAM ELIGIBILITY</u>		<u>TEMPORARY RECAPTURE TAX LIMITS</u> (March 5 to December 31, 2008)	
	Small**	/Large***	Small**	/ Large***
Billings/Yellowstone	\$61,900	/\$71,185	\$74,280	/ 86,660
City of Billings				
(Census Tract 3)*	74,280	/ 86,660	74,280	/ 86,660
Blaine*	64,320	/ 75,040	64,320	/ 75,040
Carbon County	61,900	/ 71,185	74,280	/ 86,660
Cascade County	53,600	/ 61,640	62,280	/ 72,660
Choteau Co-				
Census Tract 9401*	64,320	/ 75,040	64,320	/ 75,040
City of Great Falls*	64,320	/ 75,040	64,320	/ 75,040
Daniels Co-				
Census Tract 9402*	64,320	/ 75,040	64,320	/ 75,040
Deer Lodge County*	64,320	/ 75,040	64,320	/ 75,040
Fallon County	53,600	/ 61,640	63,120	/ 73,640
Flathead County*	64,440	/ 75,180	64,440	/ 75,180
Gallatin County	64,200	/ 73,830	77,040	/ 89,880
Hill County*	64,320	/ 75,040	64,320	/ 75,040
Jefferson County	63,200	/ 72,680	75,840	/ 88,480
Lewis & Clark County	61,700	/ 70,955	74,040	/ 86,380
Mineral County*	64,320	/ 75,040	64,320	/ 75,040
Missoula County*	66,480	/ 77,560	66,480	/ 77,560
Park County	53,600	/ 61,640	64,080	/ 74,760
Richland County	53,600	/ 61,640	63,720	/ 74,340
Rosebud County	55,300	/ 63,595	66,360	/ 77,420
Sanders County*	64,320	/ 75,040	64,320	/ 75,040
Sheridan Co-				
Census Tract 9402*	64,320	/ 75,040	64,320	/ 75,040
Silver Bow County*	64,320	/ 75,040	64,320	/ 75,040
Stillwater County	59,500	/ 68,425	70,557	/ 81,140
Sweet Grass County	56,200	/ 64,630	67,440	/ 78,680
Toole County	53,600	/ 61,640	63,360	/ 73,920
Valley County	53,600	/ 61,640	62,160	/ 72,520
Other Counties & Areas	53,600	/ 61,640	62,040	/ 72,380

\*Targeted Areas

\*\*Small household is defined as two persons or less

\*\*\*Large household is defined as three persons or more